

Segmenting in Retail



Market Segmentation

- Market Segmentation

Is the dividing of a heterogeneous consumer population into smaller, more homogeneous groups based on their characteristics.

Getting into the Consideration Set

- Increase Performance Beliefs of Your Store
- Decrease Performance Beliefs About Competitor
- Increase Importance Weight of Attributes on which You Have an Advantage
- Add a New Benefit on which You Excel

Types of Purchase Decisions

Extended Problem Solving

-High financial or Social Risk

Limited Problem Solving

-Some Prior Buying Experience

Habitual Decision Making

-Store Brand, Loyalty



Adam Crowley/Getty Images



Janis Christie/Getty Images



Greg Kuchik/Getty Images

Extended Problem Solving

Consumers devote time and effort analyzing alternatives

- Financial risks – purchasing expensive products or services
- Physical risks – purchases that will affect consumer's health and safety
- Social risks – consumers will believe product will affect how others view them

What Retailers Need to do for Customers Engaged in Extended Problem Solving

Provide a Lot Information

- Use Salespeople rather than advertising to communication with customers

Reduce the Risks

- Offer Guarantees
- Return Privileges



© Royalty-Free/CORBIS

Purchase decisions process involving moderate amount of effort and time

Limited Problem Solving

- Customers engage in this when they have had prior experience with products or services
- Customers rely more on personal knowledge
- Majority of customer decisions involve limited problem solving



(c) Brand X Pictures/PunchStock

What do Retailers Need to do for Customers Engaged in Limited Problem Solving?

- It depends...
- If the Customer Is Coming to You, Provide a Positive Experience and Create Loyalty
 - Make Sure Customer is Satisfied
 - Provide Good Service, Assortments, value
 - Offer Rewards to Convert to Loyal Customer
- If the Customer Goes to Your Competitor's Store, Change Behavior
 - Offer More Convenient Locations, Better Service and Assortments

Encouraging Impulse Buying

- Have Salespeople Suggest Add-ons
- Have Complementary Merchandise Displayed Near Product of Interest
- Use Signage in Aisle or Special Displays
- Put Merchandise Where Customers Are Waiting



PhotoLink/Getty Images

Habitual Problem Solving

Purchase decision process involving little or no conscious effort

- For purchases that aren't important to the consumer
- For merchandise consumers have purchased in the past
- For consumers loyal to brands or a store



Royalty-Free/CORBIS

Criteria for Evaluating Segmentation Schemes

- Actionability
- Identifiability
- Accessibility
- Stability
- Size

3 Special Market Segments

✦ **In-Home Shoppers**

✦ **Online Shoppers**

✦ **Outshoppers**

In-Home Shoppers



- **Shopping is discretionary, not necessary**
- **Convenience is important**
- **Active, affluent, well-educated**
- **Self-confident, younger, adventuresome**
- **Time scarcity is not a motivator**

Online Shoppers



- **Use of Web for decision-making process as well as buying process**
- **Convenience is important**
- **Above average incomes, well-educated**
- **Time scarcity is a motivator**

Out- Shoppers



- **Out-of-hometown shopping**
- **Male, young, members of a large family, and new to the community**
- **Income and education vary**
- **They like to travel, enjoy fine food, are active, and read out-of-town newspapers**

Demographics of Indian Shoppers

- Population Growth
- Life Expectancy
- Age Segmentation
- The Middle Class
- The Rural Shoppers
- Number of Households and household size
- Changing shopper profile
- Socio cultural profile.

Psychographic Profile of Indian Shoppers

- Segments of Men

Indian men has shown four board groups:

- ✓ The traditional man
- ✓ The pleasure seeker
- ✓ The social chameleon
- ✓ The intrinsic progressive man

● Segments of Women

Indian women can be categorized in the following manner:

- ✓ The contented conservative
- ✓ The archetypal provider
- ✓ The anxious rebel
- ✓ The troubled homebody
- ✓ The tight-fisted traditionalist
- ✓ The affluent sophisticate
- ✓ The contemporary housewife

• Youth Segments

Youth has been classified into five psychographic segment such as :

- ✓ Homebodies
- ✓ Two-faced youths
- ✓ Wannabes
- ✓ Rebels
- ✓ Cool guys

Lifestyle Trends

- Woman becoming assertive
- Time pressure on women
- Working couples
- Looks-oriented career males

Behaviour based segmentation

- Choice optimizers
- Premeditated shoppers
- Economizing shoppers
- Support Seekers
- Frequent Shoppers vs Infrequent Shoppers
- Recreational shoppers

How consumers Develop Loyalty Towards a Store

